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UNCLAS SECTION 01 OF 02 ASUNCION 000148

SIPDIS

STATE FOR WHA/BSC AND EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR SCRININ AND LYANG
NSC FOR KIM BREIER
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD DAN JOHNSON

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [ECON](#) [PINR](#) [SNAR](#) [PA](#)

SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, JANUARY
22-28

[1](#)1. (U) SUMMARY:

-- Political Angel to Cubas Kidnapping Arrests
-- Resignation Drama at Immigration
-- Taiwan Seeking to Further Trade and Business Ties
-- Court Rules in Favor of Continuing Extradition of Drug
Trafficker

Political Angel to Cubas Kidnapping Arrests

[1](#)2. On January 25, Attorney General, Oscar Latorre announced mounting evidence, including phone call logs, that links members of the leftist Free Fatherland Party (PPL) to the kidnapping of Cecilia Cubas, the daughter of former President Raul Cubas. Police officials arrested eight individuals, with alleged links to PPL, in the central departments of San Pedro and Caaguazu; four have since been released and a warrant is pending for the arrest of two other PPL suspects. The leader of PPL, Juan Arrom, however, denied to local press its involvement in the kidnapping of Cubas and stated the GOP is politically persecuting the Party. He added that those arrested were expelled from the Party in October 2004. One of the suspects, Osmar Martinez, turned himself in after calling on human rights groups to guarantee his safety, according to press, stating that he feared he would suffer mistreatment by GOP officials. (More on case to follow septel).

Resignation Drama in Immigration

[1](#)3. Carlos Liseras, Director General of Immigration, resigned on January 25 citing policy differences and personality clashes with Minister of Interior, Nelson Mora. He was reinstated on January 27 after President Duarte asked him to stay in the position to help fight corruption. Liseras claimed in local press that he suffered mounting pressure and threats to protect Colorado Party members suspected of fraud, such as a regional Colorado Party Leader, Luis Alberto Ayala, who is currently detained for fraud and falsifying documents. The Director presented Ayala's case to local prosecutors for investigation. Liseras has served as Director since July [1](#)2004. On January 27, CONOFF spoke to the Secretary of Immigration who claimed that Liseras might return to his duties suggesting the resignation may have been a ploy to gain public support from the President. However, his resignation and comments to the press could have a long- term effect on his working relationship with Minister Mora.

Taiwan Seeking to Expand Trade and Business Ties

[1](#)4. During his visit to Taiwan this week, Paraguayan Vice-President Luis Castiglioni met with President Chen Shui-bian, who hopes to bolster trade with Paraguay and sign a free trade agreement (FTA) by year's end. President Shui-bian stated to Taiwanese press, his offers to travel to Asuncion to sign the FTA with President Duarte. Paraguay maintains close trade relations with Taiwan, despite Mercosur pressure to trade with the People's Republic of China (PRC). In recent weeks, GOP officials have stated they are willing to consider the PRC as a trade partner of Mercosur, but will not modify their current diplomatic relations with Taiwan in the process.

[1](#)5. On a related note, Senate President Miguel Carrizosa announced to local press from Taipei, where he is accompanying the VP and leading a delegation of congressmen, that Taiwanese Agro-businesses have expressed interest in investing up to USD 50 million in soy and corn processing plants in Paraguay. Currently, Paraguay exports a majority of its soy product for processing.

Court Rules in Favor of Continuing Extradition of Drug
Trafficker

16. On January 21, a Judge in the Court of First Instance ruled against Ivan Mendes-Mesquita's request to throw out the request for his extradition to the U.S. for trial. Mesquita has ten days to appeal the decision. (Background: In November 2004, cooperation between Brazil and Paraguay produced the arrest of Mesquita, a major narcotics trafficker from the Beira Mar trafficking organization, and the seizure of 262 kilograms of cocaine. The U.S. seeks his extradition on drug trafficking charges.)
KEANE